Annual Report | 2013-2014

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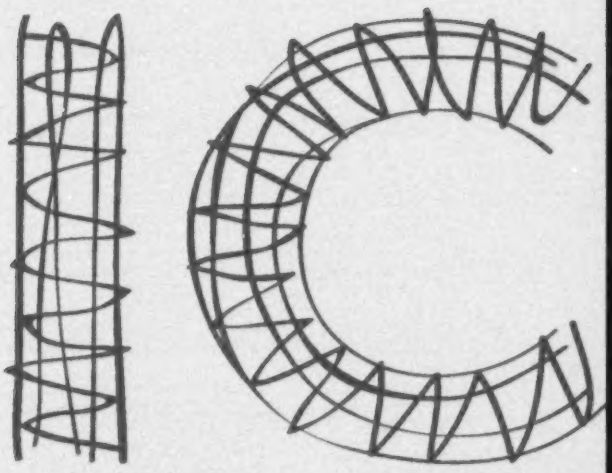

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Message from the Chair

DEREK LEW
Chair, BC Innovation Council

On behalf of the Board of Directors and the employees of the British Columbia Innovation Council ("BCIC"), I am pleased to present our Annual Service Plan Report for the fiscal year 2013/2014.

BCIC is the Province's lead agency with a mandate to grow British Columbia's economy and create new and rewarding technology jobs by supporting technology entrepreneurs and accelerating technology commercialization. Working with its network of partners across the province, BCIC funds and supports programs that advance new technology ventures through well-defined stages to propel innovative new products beyond the idea stage into the global marketplace.

BCIC remained in a strong financial position at the end of fiscal 2013/2014, having unrestricted assets of $6.3 million. BCIC receives annual funding from the Ministry of Technology, Innovation and Citizens' Services. To maximize the value of every dollar spent by the organization, BCIC creates partnerships. We leverage funds, knowledge and industry expertise from a variety of solid relationships. BCIC enters into partnerships with federal and provincial government agencies, research institutions, industry and regional groups to carry out programs and initiatives that align with our mandate.

In 2013/2014, BCIC contributed a total of $8.6 million to initiatives and programs that support the technology community, including the launch of Venture Acceleration Programs across the province, and the support of community events such as the HTML500, the GROW technology conference and technology summits. This total is in line with the forecast set out in our 2013/2014 Service Plan.

In 2013/2014, BCIC continued to work closely with its partners in industry and academia to deliver programs and initiatives that develop entrepreneurial talent and promote the commercialization of technology. Highlights for the year included:

- Directly engaged 211 innovative, early stage companies in BCIC's Venture Acceleration Program and assisted them in adding 296 full-time jobs, $11.8 million in revenue and attracting $30.5 million in new investment. In addition, BCIC helped sponsor or deliver over 500 events that touched over 34,000 people in British Columbia.

Message from the Chair

- Launched in September 2012, the largest BCIC commercialization initiative is the BC Acceleration Network. The network touches all corners of the province through regional partners funded by BCIC. The objective is to deliver support to allow early-stage entrepreneurs to get their businesses launched. As part of the BC Acceleration Network, BCIC's regional partners deliver the Venture Acceleration Program, which provides office space and a supportive environment for new entrepreneurs. Executives-in-Residence, successful business professionals trained in the use of the program, help new entrepreneurs through the earliest stages of their enrolment.

  In 2013/2014 BCIC secured two additional partners in order to expand the program which is now available throughout the Lower Mainland, Fraser Valley, Vancouver Island and Sunshine Coast, Kootenays, Okanagan, Central Interior and North Central BC.

- BCIC delivered the BCIC-Mitacs Commercialization Voucher Program in 2013/2014. This pilot program enabled companies to retain a graduate student from a British Columbia-based post-secondary research institution for commercialization assessments of new products or services, or new market opportunities for existing products or services.

  Building on the positive outcomes of the pilot program, BCIC developed the BC Innovator Skills Initiative, which is now being delivered by 10 regional partners within the BC Acceleration Network. With direct connections to industry in their regions, each partner is well positioned to maximize the skill-building benefits of the initiative.

Over the past 12 months, BCIC welcomed new team members to help BCIC execute on its mission. As of September 26, 2013, the BCIC Board of Directors has been strengthened by the appointment of new member Roger Hardy. In November, Greg Caws joined the team as President and CEO.

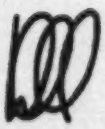
In 2012, BCIC transitioned its goals, measures and targets to reflect the recommendations from the Province's 2011 Mandate Review of BCIC. The planning phase took place in 2012, and changes were implemented in 2013/2014. BCIC's refreshed mandate extends its activities into eight key industry sectors identified in the BC Jobs Plan. BCIC developed a cross-sector strategy in 2013/14 as a first step in broadening our focus to all eight sectors. Three of the four measures in BCIC's 2013/14 Service Plan are new. One measure, the ability to succeed in BC, greatly exceeded the target at 99%. Two measures, the venture health score and program effectiveness are very close to target (out by 4% and 2% respectively), and the final measure around patent protection was lower than the target (8% points lower) due to the early stage of the companies, the effectiveness of copyright for protecting software and the fact that this new measure is being benchmarked for the first time.

In response to its 2011 Mandate Review, BCIC also took steps in 2013/14 to improve the transparency and accountability of its program funding model. Now all BCIC programs delivered through partner organizations, including the Venture Acceleration Program, are subject to financial agreements that clearly define program performance measures and partner accountabilities.

Building a technology economy is a long-term objective that requires committed partners in industry, academia, and government. BCIC continued in 2013/2014 to develop the partnerships and leverage knowledge and industry expertise, and maximize the value of every dollar spent. BCIC's existing resources are fully committed to Board-approved programs and initiatives. We are confident that the dollars invested in programs for entrepreneurs in British Columbia will continue to yield results and, in turn, create more job opportunities.

I would like to thank Ministry personnel for their strong support. I look forward to our continued conversations and collaborations as we work towards building the best economic opportunities for British Columbians and strengthening BCIC's role in growing our economy.

Yours truly,



Derek Lew
Chair, BCIC

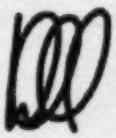
Accountability Statement

The 2013/2014 BC Innovation Council Annual Service Plan Report was prepared under the Board's direction in accordance with the **Budget Transparency and Accountability Act.** The Board is accountable for the contents of the report.

The information presented has been prepared in accordance with the **BC Reporting Principles** and reflects the actual performance of BCIC for the 12 months ended March 31, 2014 in relation to the service plan published in February 2013. The measures presented for 2013/2014 focus on aspects critical to the organization's performance and are consistent with BCIC's mission, goals and objectives in 2013/2014. The Board is responsible for ensuring internal controls are in place to confirm that performance information is measured accurately and in a timely fashion.

All significant assumptions, policy decisions, events and identified risks as of March 31, 2014, have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management. Its contents are consistent with the Government's Letter of Expectations received from the Province.

Any changes in mandate direction, goals, strategies, measures or targets made since the 2013/14 – 2015/16 service plan were released and any significant limitations in the reliability of data are identified in the report.



Derek Lew
Chair, BCIC

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Organizational Overview

Enabling Legislation

The BC Innovation Council is a provincial Crown Agency operating under the **British Columbia Innovation Council Act, RSBC 1996, c.415**

Mandate

- Advance commercialization in British Columbia through focused support to startup companies and facilitation of partnerships between industry and academia;
- Work with partners and organizations that support entrepreneurship and the development of entrepreneurial talent;
- Work cooperatively with the BC Regional Science and Technology Network (BCRSTN) offices and the University Industry Liaison Offices (UILOs) operating in the province;
- Incubate and develop key programs in partnership with the Government and deliver programs through well-established partners that use outcomes-based reporting and transparent practices;
- Align BCIC's Board governance model with the Board Resourcing and Development Office (BRDO) policies and best practices;
- Develop a new set of outcome-based performance measures as part of a rigorous approach to planning and evaluation, and extend these metrics to partner selection and reporting;
- Diversify programming to expand entrepreneurship programs and support in priority sectors as outlined in the BC Jobs Plan; and
- Meet the financial and performance reporting requirements set out in the **Budget Transparency and Accountability Act**, the **Financial Administration Act**, and the **Financial Information Act**.

Vision

A strong and rapidly growing knowledge economy, creating rewarding careers for British Columbians in BC.

Mission

To build British Columbia's economy by accelerating the growth of BC ventures through the support of entrepreneurs and tech startup companies.

Values

BCIC's core values guide its operations. They include:

- **Collaboration** – BCIC collaborates with partners to create programs and provide support for initiatives that develop entrepreneurs and promote the commercialization of technology.
- **Results** – We gauge the success of our programs and activities by achieving results that are valued by shareholders and clients. We continually monitor our programs and services with our partners and clients to ensure outcomes clearly fulfill our mandate.
- **Integrity** – BCIC is committed to meeting the highest standard of integrity expected by British Columbians and Government alike. We follow fair and transparent processes in all our activities.
- **Entrepreneurial** – Just as BCIC promotes an entrepreneurial spirit among those starting ventures in BC, we are committed to operating with the same entrepreneurial spirit. Being a small agency allows BCIC to put creativity and originality at the forefront of our operations.

Overview of Core Business Areas

BCIC is the Province's lead organization with a mandate "to encourage commercialization of technology across all sectors in British Columbia. Helping entrepreneurs commercialize new and innovative products into the global market enhances British Columbia's competitiveness and creates new, high quality jobs for British Columbians. New companies and ventures are the engine of job creation and the origin of the future firms that anchor the economy. All of BCIC's programs and services support this important goal.

BCIC develops and funds programs which are delivered across the province by regional partners and academic institutions, growing the technology economy and creating technology sector jobs in all of the regions. This approach enables BCIC to assure quality and consistency while catering to the specific needs of technology entrepreneurs based on their location, their industry sector and stage.

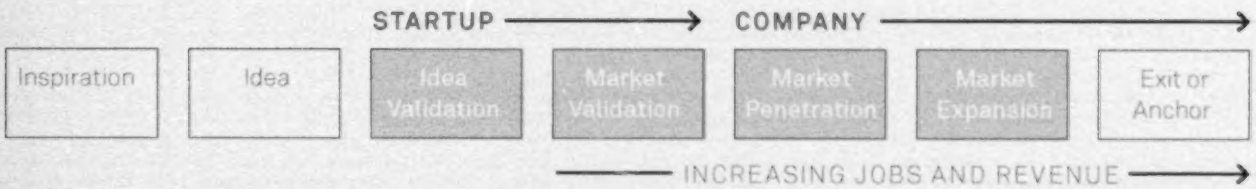
BCIC Programs

BCIC programs support the technology sector's growth and the resulting job creation for some of our province's most educated, creative and skilled people by helping entrepreneurs transform an idea into a venture. Our programs support ventures as early as the startup idea validation stage through to the market expansion stage.

In 2013/2014, BCIC delivered initiatives under the following three program areas to meet its mandate:

1. Commercializing innovative technology
2. Developing and enhancing entrepreneurial skills
3. Focusing resources on entrepreneurs who will build their companies in British Columbia

BCIC PROGRAMS AND THE BUSINESS LIFE-CYCLE



Program Area 1: Commercializing Innovative Technology

The technology sector is crucial to British Columbia's economic growth in that it supports innovation across all the key sectors. The technology sector provides over 84,000 jobs for British Columbians and revenues of $18 billion per year, and has been the second largest contributor to private sector growth in the last decade.

Commercialization is the entrepreneurial activity that takes a technology or intellectual property and creates a business around it. BCIC's goal of facilitating the commercialization of innovative technology is supported by its network of acceleration programs, programs that develop entrepreneurial talent at the post-secondary level and support of events that increase the number of entrepreneurs and new business opportunities across British Columbia. Specifically:

- The BC Acceleration Network ("BCAN") since July 2011 has engaged 242 companies and a total of 358 entrepreneurs across the province, assisting them to add 628 new full-time jobs, generate more than $14.4 million in revenue and attract over $53.6 million in new investment to British Columbia.
- The BCAN continued to build a province-wide network of partners delivering the BC Venture Acceleration Program to increase the success rate of early-stage companies. BCIC launched the BC Acceleration Network in 2012/2013, and in 2013/2014 expanded the network from 10 to 12 partners across the province. Through the BC Acceleration Network, new and early-stage technology companies throughout British Columbia gain access to highly qualified entrepreneurial expertise and know-how contributed by 30 Executives in Residence and by accelerator staff, mentors and their partners.

In 2013/2014, the BC Acceleration Network has:

Vocaba, a participating company in the Kamloops Innovation's Venture Acceleration Program, showing at a Thompson Rivers University event.

- » worked with 12 partners in the Lower Mainland, Fraser Valley, Vancouver Island and Sunshine Coast, Kootenays, Okanagan, Central Interior and North Central BC regions;
- » engaged 211 companies; and,
- » have added 296 full-time jobs and attracted over $30.5 million in investment.

- In 2013/14 BCIC continued as the custodian of the Natural Resources and Applied Science Research Endowment (NRAS), provided by Government in 2005/06 to build research and development, advanced training, technology transfer and commercialization capacity in British Columbia in engineering, natural resources and the applied sciences. The first funding program to emerge from the endowment was the NRAS Research Team Program, developed collaboratively by BCIC and BCFRST in 2009. The NRAS Research Team Program is still in progress with research teams at the University of British Columbia, Simon Fraser University and the University of Victoria entering the fourth year of their projects. The endowment continues to earn interest and, once sufficient interest has grown, BCFRST may deliver further programs.

Key Achievements - The NRAS Research Team Program competition:

  - » received 102 applications in 2009;
  - » granted 24 awards for a total of $6.9 million;
  - » supported the research of more than 50 researchers;
  - » involved high-caliber training and supervision for 25 university students; and
  - » the outcome of each project has the potential to provide a tool or solution that can be used by industry.

- BCIC delivered the BCIC-Mitacs Commercialization Voucher Program in 2013/2014 in partnership with Mitacs. The program matched companies with a graduate student for commercialization assessments of new products or services, or new market opportunities for existing products or services. The success of the program led to the launch of the pilot phase of the successor program, the BC Innovator Skills Initiative, described below.

Key Achievement - Since its inception, the program has:

  - » received 51 applications from companies;
  - » matched 45 companies with students;
  - » resulted in 55% of companies identifying a commercialization opportunity; and
  - » resulted in 86% of companies hiring their student.

Lisi Fraser, creator of *Snug Vest* and participant of *Ventures Labs' Venture Acceleration Program*, demonstrates her product at a BCIC event.

- BCIC launched the pilot phase of the BC Innovator Skills Initiative in 2014. Designed to provide hands-on business skills, technical training and industry experience to post-secondary students across the province, the initiative enables companies in British Columbia to bring a student on board to work on technical and business development projects. The program is being delivered by 10 regional partners within the BC Acceleration Network, each with direct connections to industry in their regions. The program is a natural progression from the BCIC-Mitacs Commercialization Voucher Program described above.

Key Achievements:

- 50 student placements available
- available to students in 15 post-secondary institutions across the province
- delivered by 10 partner organizations across the province

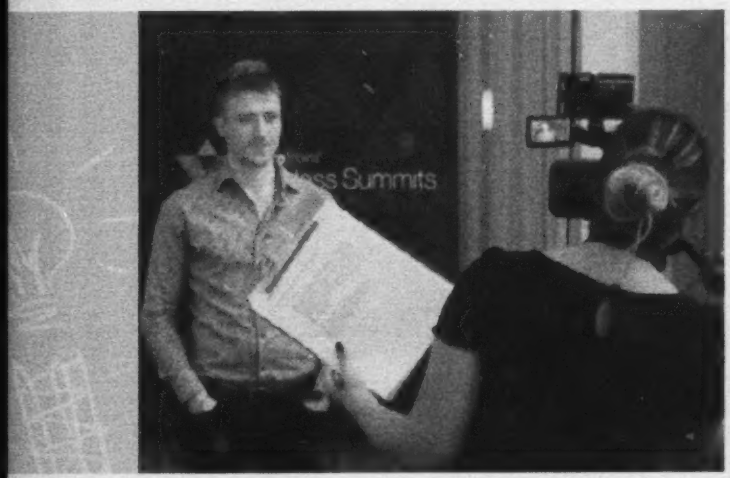
Change Heroes, a participating company in VentureLabs' Venture Acceleration Program, greeted TED guests at the *Best of BC Tech Showcase*

Program Area 2. Developing and Enhancing Entrepreneurial Skills

BCIC works with its program partners to help British Columbians become successful entrepreneurs.

A. Providing training to support early-stage entrepreneurs to commercialize their concepts

- The BC Venture Acceleration Program: a structured venture growth program designed to guide, coach and grow ambitious early-stage technology entrepreneurs and effectively grow their technology ventures, the Venture Acceleration Program is delivered by a team of Executives in Residence (EIRs) and supported by a province-wide network of mentors through the BCIC Mentor Program. More information can be found at the Venture Acceleration Program website at www.bcacceleration.ca.



John O'Keane, founder of *Grey Identity* and participant of the *Wavefront Venture Acceleration Program* poses for a photo at the *Wavefront Wireless Summit*.

Key Achievements - In 2013/214 the BC Venture Acceleration Program has:

- » been delivered by 12 partners in the Lower Mainland, Fraser Valley, Vancouver Island and Sunshine Coast, Kootenays, Okanagan, Central Interior and North Central BC regions;
- » engaged 211 companies; and
- » collectively, since engagement, these companies have added 296 full-time jobs and attracted over $30.5 million in investment.

- entrepreneurship@SFU: created by BCIC, Dr. Ken Spencer, SFU's Faculty of Applied Sciences and the Beedie School of Business in 2012, this initiative provides a competitive academic pathway for third- and fourth-year business and applied sciences students. The program provides the skills, mentorship and resources to build upon innovative ideas and develop successful new ventures. Students are expected to produce a business plan, design and prototype their product/system, complete steps to launch a successful business and obtain a lead customer. They also take courses in business, engineering, entrepreneurship, innovation and commercialization and have access to mentorship from industry experts, a scholarship award and other resources.

Key Achievements: Launched in January 2012, the first two years of the program have placed 31 students in 6 teams that created business plans and prototypes, and worked toward securing lead

customers, partners and investors as part of the future launch of their companies.

- entrepreneurship@UBC: A campus-wide initiative, entrepreneurship@UBC provides programs and resources to the UBC community designed to inspire entrepreneurship, create validated business opportunities, and build them into startups positioned for investment and growth. BCIC is an important partner of entrepreneurship@UBC, having been a founding partner in 2011 in establishing the initial capitalization for the entrepreneurship@UBC Seed Accelerator Fund. In 2013/2014 BCIC expanded its support to include the entrepreneurship@UBC Accelerator Program, which supports the development and growth of UBC-linked ventures. The program works in collaboration with the Seed Fund.

  Key Achievements - Launched in September 2013, the entrepreneurship@UBC Accelerator Program already boasts:

  - » 2 Executives-in-Residence;
  - » 9 mentors;
  - » 36 participants; and
  - » the Seed Fund has provided $525,000 in investment to 5 successful companies launched by students or alumni of UBC.

- BCIC-New Ventures Competition: BCIC continued to partner with the New Ventures BC Society to deliver the annual competition for emerging entrepreneurs that has operated in British Columbia since 2001. This technology idea competition is designed to provide entrepreneurs with the tools and resources needed to successfully take their ideas to the marketplace.

Greg Caws, President and CEO of BCIC, speaks on at the announcement of BCIC's support of the *entrepreneurship@UBC Accelerator Program*

Key Achievements:

- » The 2013 competition saw 146 applicants;
- » top prizes were awarded to a cloud-based business management system, a biotech company that works with monoclonal antibody therapeutics, and a cloud-based communications platform for medical practices and hospitals;
- » in total $286,000 was awarded in cash prizes; and
- » these companies join more than 1700 program alumni over 13 years of competition.

A study released in February 2013 by the SFU's Beedie School of Business found that of companies that advanced to the third round between 2001 and 2011 of the BCIC-New Ventures Competition:

- » 56% are still active in some form and collectively have created 3,170 jobs and generated an estimated $194 million in revenue; and
- » these ventures filed an estimated 854 patents and generated 1,294 unique product offerings.

- Launch Academy became a BCIC partner shortly after its 2012 launch. A pre-accelerator, Launch Academy prepares and channels entrepreneurs and startups for later-stage accelerators and investors by offering a suite of entrepreneurial education programs and initiatives.

  Key Achievements: In its first 18 months of operation, Launch Academy has

  - » directly supported and incubated 270 entrepreneurs and over 150 tech startups; and
  - » these startups created more than 300 jobs and raised over $20 million in investment.

- The BCIC Mentor Program — Modeled on the very successful MIT Venture Mentoring Service, the BCIC Mentor Program delivers tools and peer mentoring to CEOs of technology companies in order to improve their effectiveness as leaders. Program participants are early-stage startups with a goal to progress and grow. In 2013/2014, delivery of the program was transitioned from a centralized administration toward regional delivery, in order to best meet the needs of the entrepreneurs, mentors and partners in each region.

  Key Achievements:

  - » recruited and trained 132 mentors;
  - » accepted 128 companies; and
  - » on average, these early stage companies support 6.7 jobs each.

- MentorshipBC: a free online resource (www.mentorshipbc.ca) for small business owners in British Columbia to find mentorship programs that are available to them. MentorshipBC was created by BCIC in agreement with the Ministry of Jobs, Tourism and Skills Training. Launched November 1, 2013, the site was paired with a strong awareness campaign. MentorshipBC addresses one of the six key action items committed to in 2013 by the Province in the BC Small Business Accord.

  Key Achievements:

  - » MentorshipBC was developed and launched within 8 months of the commitment made in the BC Small Business Accord;
  - » within 5 months of the launch date, 48 mentor programs across the province have been registered; and
  - » the site receives approximately 1,500 unique visitors a month.

TED guests attend BCIC's Best of BC Tech Showcase

B. Sponsoring and promoting entrepreneurial events

In 2013/2014, BCIC sponsored over 500 events attended by 34,000 people. BCIC sponsors and promotes conferences, competitions and events that expand the number of entrepreneurs and new business opportunities across British Columbia. Highlights include:

- BCIC sponsored the HTML500, the largest open access learn-to-code education event in North America. Created by Lighthouse Labs, the event hosted 500 eager to-be-coders (and another 1,400 on the waitlist). HTML500 proved to be an effective way to motivate and connect the next generation of programming professionals.
- BCIC was a silver sponsor of GROW in 2013, an annual technology conference that takes place over a one week period. GROW provides valuable learning to attendees and aims to inspire innovation and entrepreneurship. Featuring thinkers, influencers and investors from Silicon Valley and Canada, GROW brings together more than 1,200 people including founders, investors, entrepreneurs, bloggers, developers, designers and more. The event has earned the reputation of being Canada's leading technology conference.
- In 2013, BCIC again sponsored metabridge, a unique three-day retreat in Kelowna that brings together top startup companies and their entrepreneurs with influencers and investors from the Silicon Valley for workshops and networking. The event drew over 300 attendees from across North America.

Honourable Andrew Wilkinson, Minister of Technology, Innovation and Citizens' Services, spoke to a full house at the *HTML500*.

- BCIC organized the Best of BC Tech Showcase, in March 2014, hosted at the iconic offices of HootSuite. The event featured a dozen of Vancouver's innovative tech companies to a select group of TED delegates.
- BCIC continued to support C100's "48 Hours in the Valley" in 2013. The program provides an exclusive opportunity for 20 startup companies and their entrepreneurs to spend two days in the Silicon Valley, meeting with industry experts and investors.
- Wavefront Wireless Summits 2014 received sponsorship support from BCIC. The 2-day annual conference in Vancouver that focuses on wireless and mobility solutions, attracting thought leaders and over 500 attendees from across the globe.
- BCIC was a sponsor of the Interface 2013, a 3-day digital health summit held annually in Vancouver, hosted by Sanotron, a wireless and digital health accelerator. The summit drew 150 participants.

BCIC's sponsorships are evaluated using a set of criteria that ensure each event is results-driven and aligned with BCIC's mandate.

Program Area 3. Focusing Resources On Entrepreneurs Who Will Build Their Companies In British Columbia

In order to increase the number of successful new businesses that will remain in British Columbia for the long term, BCIC works with program partners to focus program resources on entrepreneurs who can achieve early customer acquisition while maintaining base operations in British Columbia. For example:

metaBridge attendees had a chance to meet one-on-one with Disney VIP's.

- BCIC's program partners are encouraged to make applicants aware of alternative strategies when it is clear that creating a successful business in British Columbia will be challenging because of customer access, regulatory, financial or logistical reasons.
- In addition, many of the events and conferences BCIC sponsors expose British Columbia startup companies and their entrepreneurs to investors and influencers who can offer support and help British Columbia companies succeed in the province.

BCIC Cross-Sector Strategy

BCIC's renewed mandate expands its role in commercializing technology to eight key industry sectors that represent the areas in which British Columbia has a competitive advantage and the most potential for investment and job creation. These sectors include key industry sectors identified in the BC Jobs Plan: Agrifoods, Natural Gas, International Education, Tourism, Technology, Transportation, Mining and Forestry.

BCIC is playing an increasingly active role in supporting these sectors through its programs and activities that accelerate the commercialization of technology. The development of BCIC's cross-sector strategy started in 2013 with the goal of driving technology innovation leading to new products, services, jobs and market opportunities. To develop this strategy, BCIC undertook to:

- Expand awareness of BCIC and broaden working relationships with key sector organizations;
- Identify existing opportunities for collaboration between BCIC and other parties in these sectors; and,
- Identify new opportunities in these sectors to connect companies experiencing commercialization challenges with programs that can help them.

The overarching goal of the cross-sector strategy is aligned with BCIC's established goals of expanding BCIC's commercialization strategy, growing and strengthening the entrepreneurial community and concentrating resources on opportunities that are sustainable in British Columbia. Implementing the strategy will improve the performance and competitiveness of companies in the key sectors, while working in concert with existing government, not-for-profit and industry players, as described in the following pages.

BCIC CROSS-SECTOR STRATEGY OBJECTIVES

The BCIC cross-sector strategy is aligned with BCIC's strategic goals. The following objectives help BCIC achieve the goal of the cross-sector strategy and, by doing so, extend the impact of BCIC's strategic goals into key sectors.

Objective 1: Research and awareness of key sectors

BCIC works to identify key players in each sector to gain understanding of each organization's vision, mission, target audiences, areas of expertise, key offerings and successes related to innovation and commercialization. The review considers:

- Government / Ministries
- Industry associations / groups
- Research institutions
- Accelerators
- Top British Columbia companies

For example, BCIC began development of a marketing research study in 2013/2014 for the purpose of gaining a snapshot understanding of the number of technology innovators in British Columbia, their distribution across the province, the stage of their company. The study will focus on innovators in the resource sectors.

Objective 2: Raise awareness of BCIC and its goals among sector key players

BCIC connects with and establishes relationships among identified key sector groups. Once a connection is established, BCIC shares

communication materials that clearly articulate BCIC's mandate, who BCIC is, what BCIC does and how it does it. Awareness raising takes place through a combination of personal meetings and correspondence.

For example, BCIC met in 2013/2014 with a number of organizations and Ministries to promote awareness of the BCIC mandate and potential opportunities to work together. With an initial focus on the Natural Gas and Agriculture sectors, BCIC established connections with the Ministry of Natural Gas Development, Ministry of Jobs, Tourism and Skills Training, Ministry of Energy and Mines, Ministry of International Trade and the BC Oil and Gas Commission.

Objective 3: engage with technology innovators across the sectors

BCIC works to create opportunities in the identified sectors to connect companies experiencing commercialization challenges with programs that can help them. Specifically, BCIC will:

- Identify gaps or unmet needs for commercialization and innovation in sectors
- Track the market of all program participants' product or service

In 2013/2014, BCIC consulted with other organizations to explore potential models to achieve this objective. Strengthened connections with Mitacs and the Province of Alberta's oil and gas sector enable BCIC to increase access for British Columbia-based innovators to key connections and opportunities. In addition, BCIC continued to increase awareness within the BC Acceleration Network of opportunities that may be of benefit to their startup clients.

Benefits for British Columbians

A fundamental function of BCIC is to accelerate the development of the knowledge-based economy in the province, directly leading to improved economic performance for British Columbia. Within BCIC's mandate, this is accomplished by running programs that increase the quantity of successful technology entrepreneurs and companies. BCIC helps to create new jobs and economic growth for the province by building entrepreneurs and transforming research into commercial ventures.

Principal Partners, Clients and Stakeholders, Delivery of Services

BCIC designs, develops and implements many of its programs and services in conjunction with its delivery partners. All of BCIC's delivery partners are not-for-profit organizations with a regional development focus, specific industry focus or with an affiliation with an educational institution. Many of BCIC's regional partners receive funding from local economic development agencies and other levels of government. This leveraged funding is critical to program success and sustainability.

BCIC also has a unique role in facilitating partnerships between academia and industry to solve real-world problems through direct and applied research. Such partnerships result in increased commercial activity.

In addition, BCIC engages with federal and other provincial government agencies, research institutions, industry and regional groups to coordinate and enhance its programs.

In 2013/2014, BCIC maintained partnerships with many organizations. Examples include accelerators such as Accelerate Okanagan, Victoria Advanced Technology Council and Wavefront; academic partners such as Simon Fraser University and The University of British Columbia; business competition organizers such as New Ventures BC; and regional technology councils such as Innovation Island in Nanaimo and Kootenay Association for Science & Technology in the West-Kootenay region.

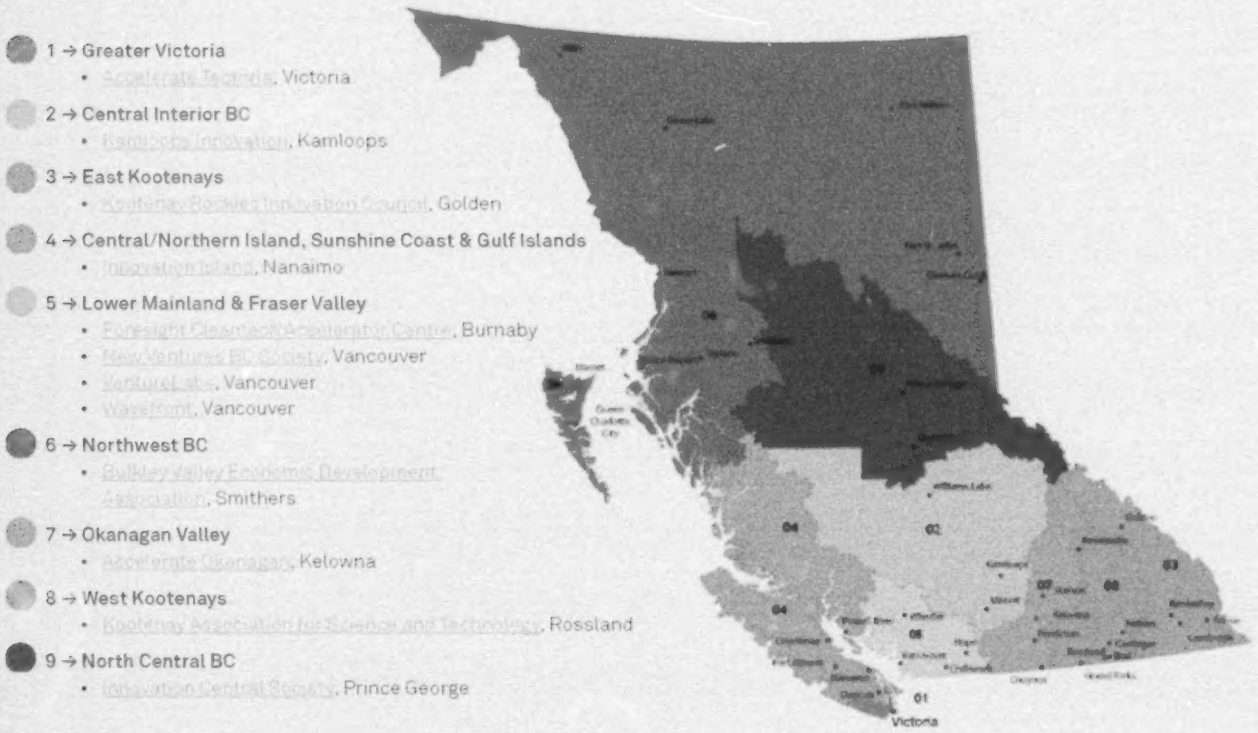
BCIC generally defines regions according to the distribution of post-secondary institutions in the province. Regions as defined by BCIC are indicated in the map in Figure 1.

Location of Operations

BCIC's office is located at the Leading Edge Technology Centre in downtown Vancouver in close proximity to several key technology industry associations and other complementary organizations. Locating in such an environment allows BCIC further collaboration opportunities.

The Leading Edge Technology Centre is on the 9th floor, 1188 West Georgia Street, Vancouver, British Columbia V6E 4A2.

Figure 1: BC Acceleration Network


1 → Greater Victoria
• Accelerate Technology, Victoria
2 → Central Interior BC
• Kamloops Innovation, Kamloops
3 → East Kootenays
• Kootenay Rockies Innovation Council, Golden
4 → Central/Northern Island, Sunshine Coast & Gulf Islands
• Innovation Island, Nanaimo
5 → Lower Mainland & Fraser Valley
• Foresight Cleantech Accelerator Centre, Burnaby
• New Ventures BC Society, Vancouver
• VentureLabs, Vancouver
• Wavefront, Vancouver
6 → Northwest BC
• Bulkley Valley Economic Development Association, Smithers
7 → Okanagan Valley
• Accelerate Okanagan, Kelowna
8 → West Kootenays
• Kootenay Association for Science and Technology, Rossland
9 → North Central BC
• Innovation Central Society, Prince George
01
Victoria

Corporate Governance

BCIC follows, and is in compliance with, the Board Governance guidelines posted on the Board Resourcing and Development Office (BRDO) website.

Role and Membership of the Board

The Lieutenant Governor, through Order-in-Council, appoints the members of BCIC's Board, and delegates the role of the Chair. The Board Chair reported to the British Columbia Legislative Assembly through the Minister of Technology, Innovation and Citizens' Services. The Board of Directors had five members in 2013/2014:

- Derek Lew;
- Robin Ciceri;
- Roger Hardy;
- Lorraine Larkin; and
- Cheryl Slusarchuk.

The Board

- sets the strategic direction and approves appropriate plans from management;
- recruits, empowers and monitors the executive management;
- shepherds and safeguards BCIC resources, approving major financial decisions, ensuring internal controls are in place and addressing areas of risk; and
- measures corporate performance, reporting regularly to the stakeholders to ensure compliance with applicable laws and ethical standards.

Board Committees

The **Audit and Finance Committee** helps the Board fulfill its obligations and oversight responsibilities relating to the audit process, financial reporting, corporate control systems and risk management. When required, it makes recommendations to the full Board for approval.

- Committee members: Roger Hardy, Lorraine Larkin (Chair), Cheryl Slusarchuk

The **Governance and Board Nomination Committee** reviews Board policies and practices, ensuring BCIC fulfills its legislated mandate and implements effective due diligence over BCIC's governance.

- Committee members: the full Board

The **Human Resources and Compensation Committee** is a committee of the full Board that fulfils the Board's responsibilities with respect to

BCIC's staff policies and practices.

- Committee members: the full Board

Senior Management Team

Greg Caws – President and CEO

Jennie Choboter – Chief Financial Officer

Shirley Vickers – Entrepreneur-in-Residence

Lindsay Chan – Director of Communications

Tomica Divic – Director of Operations

Dean Prelazzi – Managing Director, BC Acceleration Network

Governance Principles

BCIC's Board has adopted the guiding principles outlined in the Province of British Columbia's Governance Framework for Crown Corporations, the Crown Agency Accountability System, in establishing a framework from which to operate. These principles include:

- stewardship, leadership and effective functioning of the Board; and
- performance and value, innovation and continuous improvement.

Governance Disclosure and Key Accountability Relationships

BCIC's governance documents and related disclosure practices are available at http://www.bcic.ca/corporate-reports where a full log and library of all documents related to BCIC and its activities reside.

BCIC is a Crown Agency of the Province of British Columbia. BCIC's Annual Service Plans and Annual Reports in fiscal year 2013/2014 were submitted to the Ministry of Technology, Innovation and Citizens' Services.

BCIC works with program partners to provide input on funded activities and program partners are responsible for submitting regular reports to BCIC regarding funded activities.

Report on Performance

GOALS, OBJECTIVES, KEY STRATEGIES, MEASURES AND TARGETS

BCIC Goals and Performance Measures

BCIC continues to work with industry, government and the province's academic institutions to identify opportunities and gaps in its strategies directed at developing entrepreneurs and promoting the commercialization of technology. Once identified, BCIC works with partners to address these needs through the development and refinement of initiatives.

BCIC plays an integral role in helping shape the development of British Columbia's knowledge economy. Because this role is fundamental for future job growth and economic development in British Columbia, BCIC considers it critical to have accurate performance measures to track its progress in fulfilling its mandate.

BCIC's reach in the technology startup community is broad. In 2013/2014, BCIC-funded formal programs directly engaged 676 innovative, early-stage companies, through our regional and university partners. In addition, over 500 events and activities sponsored by BCIC in 2013/2014 reached over 34,000 people in B.C.

GOAL 1:

Commercializing Innovation Technology

Commercializing innovations to strengthen British Columbia's global competitive position

BCIC supports programs and initiatives that help innovations reach the market. The net result will be a more vibrant economy and more high quality jobs for British Columbians.

Measurable Objectives

- Increase the number of successful new businesses created in British Columbia.
- Improve the growth rate and survivability of small and medium-sized (SME) businesses located in British Columbia.

Strategies

- Build a network of venture acceleration programs to increase the success rate of early-stage companies.
- Implement programs to support entrepreneurial talent development at British Columbia's universities and colleges.
- Sponsor and promote conferences, competitions and events that expand the number of entrepreneurs and new business opportunities across British Columbia.

MEASURE 1: PATENT-PROTECTED INNOVATIONS AND TRADE SECRETS

The percentage of ventures in BCIC-funded programs with patent protection for their innovations or have taken a structured approach to maintaining trade secrecy

2013/14*		2014/15	2015/16
Target	Actual	Target	Target
50%	42%	30%	30%

* This is a new measure. BCIC's performance on this measure is reported here for the first time.

Description of Measure

Expressed as a percentage, this measure represents how many ventures in BCIC-funded programs have protected their intellectual property or have registered a trade secret compared to how many have not. Data for this measure will be gathered via required progress reports from program partners. The target is based on information gathered for all ventures participating in BCIC-funded programs, and consideration of causes for not filing for patent protection. The targets represent a goal to achieve a high level of patent protection. Venture acceleration programs emphasize the importance of patents and trade secrets, considering it a strength for entry into the program. Companies that are accepted without patents or trade secrets will be encouraged, where appropriate, to do so.

Importance of Measure

BCIC supports programs and initiatives that help innovative technologies reach the market. A secured patent demonstrates the innovative nature of a startup's technology. A product based on a novel technology tends to have a stronger chance of competing against established competitors because it can offer differentiated value to customers. Companies with patented Intellectual Property are better able to defend their innovation when they become successful in the market. By encouraging the use of patents and trade secrets, venture acceleration programs will improve the growth rate and survivability of small and medium-sized (SME) businesses located in British Columbia.

Reason for Variance

While many participants in BCIC-funded programs have protected their intellectual property or taken steps to protect a trade secret, others are not in a position in which it would be reasonable to do so. The reasons for entrepreneurs not seeking protection often fall into two categories. First, ventures that are still at the early idea stage are not ready to file a patent – they are on the cusp of developing a product or service to protect. In 2013/2014, BCIC had the opportunity to open programs up to more early idea stage companies than expected. In particular, ventures in Launch Academy are at this very early idea stage and those companies represent approximately 22% of companies in BCIC-funded programs. This has contributed to a lower number than anticipated.

Second, ventures in the ICT field, including digital media and software as a service, often do not file patent protection or register trade secrets. Because copyright already exists for their source code and images, many companies in this field will not gain a competitive advantage by pursuing patent protection. In 2013/2014, over 65% of companies in BCIC-funded programs were in the digital media and software as a service field, resulting in a lower number of patent protected companies than expected.

Targets for this new measure were initially based on internal knowledge of the standards of BCIC programs and the practices of local technology entrepreneurs. BCIC has since had the additional opportunity to observe results throughout 2013/2014 and learn the reasons for variation. Learning from 2013/2014 information, targets for future years have been adjusted downward.

GOAL 2:

Developing and Enhancing Entrepreneurial Skills

Building better entrepreneurs for British Columbia

BCIC works with its program partners to help British Columbians to become successful entrepreneurs.

Objective

- To improve early-stage commercialization skills of entrepreneurs in the British Columbia science and technology community. Examples of these skills include business management, leadership, ability to communicate with investors, customers and other stakeholders.

Strategies

- Identify and provide relevant knowledge and training to support early-stage entrepreneurs to commercialize their concepts.
- Partner with educational institutions and industry organizations to provide relevant knowledge and training for emerging entrepreneurs.

MEASURE 2: HEALTH SCORE OF VENTURES IN BC ACCELERATION NETWORK

The overall level to which BCIC clients have a solid business foundation for the success of their companies

2013/14*		2014/15	2015/16
Target	Actual	Target	Target
60	56	65	70

* This is a new measure. BCIC's performance on this measure is reported here for the first time.

Description of Measure

This measure presents an overall score out of a possible 100 points on the level to which ventures in the BC Acceleration Network have a solid business foundation for the success of their ventures. The score is determined by a set of indicators identified by BCIC as important elements for a venture to progress. Different indicator sets are used for ventures in different stages of growth. Examples of indicators include whether the venture:

- is meeting critical milestones as agreed upon with their Executive-in-Residence;
- has enough cash to meet growth objectives;
- has a customer-validated product-market fit;
- is seeing an increase in revenue year-over-year that exceeds 25%; and
- is seeing an increase in profit year-over-year that exceeds 25%.

Data for this measure are gathered from the progress reports of program partners. Targets for this measure are set by seeking to improve upon a baseline that has been established by an assessment of approximately 75 early-stage ventures enrolled in BCIC programs during 2012/2013.

Importance of Measure

BCIC activities support job creation in British Columbia. To do so, it is essential that startups in BCIC-funded programs progress from early-stage ventures to larger mature companies with job opportunities. The BCIC health score reflects the level to which startups in BCIC-funded programs are on track to progress into companies that will experience job growth. The measure is designed so that the higher a venture's health score, the greater its likelihood of commercial success.

Reason for Variance

A large number of ventures in BCIC-funded programs have a health score of near 60 or higher, but a small number have low health scores. Most low-scoring ventures are very early stage companies, which typically have lower health scores. As the companies mature, their health scores are expected to improve.

MEASURE 3: PARTICIPANT EVALUATION OF THE EFFECTIVENESS OF BCIC's PROGRAMS AND SERVICES*

The percentage of participants in BCIC-funded programs who confirm that BCIC's programs have a high value impact in advancing their technology venture

2011/12	2012/13	2013/14		2014/15	2015/16
Past Performance		Target	Actual	Target	Target
93.66%	82%	90%	88%	90%	90%

* This measure is the same measure that was formerly entitled Satisfaction Rating of BCIC's Programs and Services in the years prior to 2012/2013. While it is the same measure, it is assessing programs that are substantially different than the programs measured in prior years. The results will vary from the years prior to 2012/2013 because the programs are not comparable.

Description of Measure

This measure provides a percentage of participants in BCIC-funded programs who report a high value impact on their personal development as entrepreneurs and/or making their technology venture more successful. This measure is based on sample surveys where high value impact is defined as a value of 7 or more on a 10-point evaluation scale. Data for this measure are gathered via required progress reports from program partners.

Performance targets are based on similar past BCIC surveys and the goal to improve results. Targets have been adjusted upward from the previous forecast, based on results observed over the last two years.

Importance of Measure

Confirmation from entrepreneurs that BCIC-funded programs enable their ventures to progress, adds perspective to how BCIC measures its progress.

BCIC's goal is to support programs that provide high value to technology entrepreneurs, equipping them with the knowledge and tools to advance their technologies. Evaluation results enable BCIC to assess how well it is delivering on its mission. Reports from the participants of BCIC-supported programs and services will help to shape, refine and improve BCIC offerings and position BCIC as an integral component to the growth and success of its client companies.

Reason for Variance

The importance of these positive ratings from actual program participants cannot be over-stated: while it is the intention of BCIC and its partners to provide training and opportunities that have a high value impact on the future success of participants, it is the quality of experience and testimony of the recipients across the province that confirms that the intended impact has been delivered. Little variation in results is observed between programs or regions. Results for 2013/2014 are an improvement over the year prior and BCIC continues to aim for a high level in future years.

GOAL 3: Focusing Resources on Entrepreneurs who will build their companies in British Columbia

Investing in entrepreneurs who are positioned to grow within British Columbia, resulting in long-term rewards for British Columbia

BCIC invests in opportunities for startups who will build their companies in British Columbia.

Objective

- To increase the number of successful new businesses that will remain in British Columbia for the long term.

Strategies

- Work with program partners to focus program resources on entrepreneurs who can achieve early customer acquisition while maintaining base operations in British Columbia.

MEASURE 4: ENTREPRENEURS WHO CAN BUILD A SUCCESSFUL VENTURE BASED IN BRITISH COLUMBIA

The percentage of participants in BCIC-funded programs that are assessed as being able to be successful in their venture without needing to leave British Columbia to do so

2013/14*		2014/15	2015/16
Target	Actual	Target	Target
80%	99%	90%	90%

* This is a new measure. BCIC's performance on this measure is reported here for the first time.

Description of Measure

This measure is based on the experience and knowledge of the Entrepreneurs in Residence and Mentors who evaluate the opportunities they are supporting. Data for this measure will be gathered via required progress reports from program partners. Targets for this measure are based on the aspirational assumption that BCIC-funded programs can increase the number of participants able to build a successful company located in British Columbia.

Importance of Measure

Entrepreneurs with early stage innovative concepts and business ventures are highly mobile. For many, it is tempting to move to new locations outside of British Columbia to be near their key customers, suppliers or financiers. Of the three prime relationships, the most compelling is that with customers, the ultimate source of value in an entrepreneurial venture. BCIC assesses the likelihood that a venture will stay in British Columbia to avoid committing taxpayer resources to ventures that are destined to create jobs elsewhere.

Reason for Variance

Results for this measure exceeded the target of 80% by a large degree – ultimately reaching 99%. Across the province, Entrepreneurs in Residence

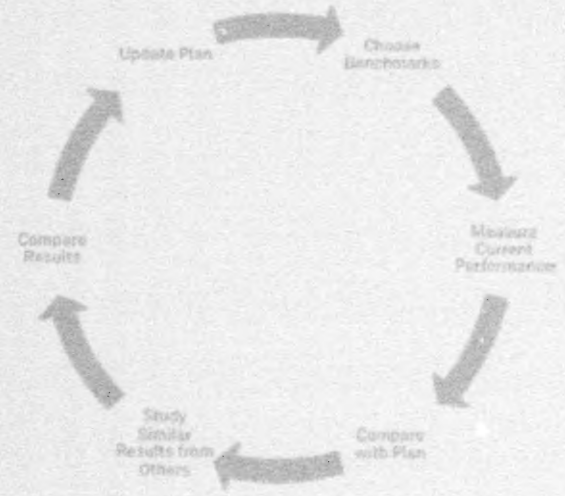
and Mentors working with entrepreneurs in BCIC-funded programs observed that almost all program participants are able to be successful without having to leave British Columbia. These high numbers are a testament to the fact the British Columbia is well-equipped with the infrastructure and resources to facilitate success for innovative companies.

Targets for this new measure were initially based on internal knowledge of the standards of BCIC programs and the local technology startup environment. As BCIC has since had the additional opportunity to observe results throughout 2013/2014, the target for 2014/2015 has been adjusted upward.

Benchmarking

As BCIC reviews and develops its focus areas, it continues to investigate similar jurisdictions that are currently focusing on entrepreneurial talent development and the commercialization of technologies. In most cases this is a continuous process and activities undertaken in 2013/2014 can be captured by the standard benchmarking model below.

Benchmarking Cycle



Topics under consideration when consulting with or learning from other organizations include:

- Accelerator management models;
- Economic development partnership strategies;
- Funding models;
- Mentor and coaching methodologies - for example, the BCIC Mentor Program is based on the MIT Venture Mentor Service and BCIC regularly attends MIT's user group events in order to learn from the results of other Program Leaders;
- Operating models;
- Performance Measures;
- Product and program standards;
- Publications released by or in connection with an organization BCIC is monitoring; and
- Types of community events other organizations are running for the purpose of engaging the community and encouraging/furthering entrepreneurship in the community.

BCIC is currently learning from industry associations, innovation councils, academic and private organizations focusing on entrepreneurial talent development and the commercialization of technologies. In addition, BCIC consults with organizations involved with incubation, acceleration and mentorship programs. Examples of organizations consulted and monitored in 2013/2014 include:

- Alberta Innovates - Technology Futures;
- BCcampus
- Communitech;
- Industrial Research Assistance Program;
- International Organization of Standardization;
- Kauffman Foundation;

- Launch Academy;
- Lead to Win Startup Network;
- MaRS;
- MIT Venture Mentor Service;
- National Business Incubation Association;
- Northern Development Initiative Trust;
- Ontario Centre of Excellence (as well as it's ONE Network);
- Rocket Builders;
- Southern Interior Development Initiative Trust;
- Sumas Regional Consortium for High Tech;
- TechStars;
- Western Economic Diversification.

The result of BCIC's continuous learning is improved performance in BCIC-funded programs. For example, improvements made to the training elements of the BC Venture Acceleration Program were inspired by observations of the MaRS Entrepreneurship 101 program, which offers online learning. From this example, BCIC implemented a new robust online training platform that provides interactive online training, to b e called "idea to Market" (i2M). Further, BCIC consulted with BCcampus, a leader in online training solutions, to learn about more options that could be used in our approach.

In another example, BCIC consulted the National Business Incubation Association's publication, **2012 State of the Business incubation Industry**, in 2013 to identify measures relevant to the BC Venture Acceleration Program. The findings were shared with partners in the BC Acceleration Network and serve as a valuable point of reference in evaluating the state of operations regarding partner delivery of the Venture Acceleration Program.

Recognizing the dynamic nature of the technology and startup landscape, BCIC continually stays on top of developments in its focus area.

Management's Confidence in Data Integrity

BCIC's performance management system is designed to provide efficient and practical measurements of BCIC's goals. The measurements chosen are quantifiable. This results-focused approach enables BCIC to see when targets are met, objectives are achieved and assess whether changes to programs and strategies are necessary.

BCIC programs are measured via the following:

- **Surveys:** Issued to program participants by program leaders via email on an annual basis, or more frequently if appropriate.
- **Progress Reports:** BCIC gathers information via progress reports submitted by program leaders.

Management is confident in the operational data utilized in reporting the results of its activities. BCIC's sources of data include in-house records maintained through electronic databases and progress reports submitted by program partners. As a condition of support to partners, BCIC requests appropriate records be maintained and reported.

Data is collected throughout the year depending on the activity and verified according to established reporting guidelines to ensure consistency from past years and across similar activities.

While accuracy is limited by human error, BCIC validates questionable data as part of the monitoring process for reports submitted externally.

Opportunities and Challenges

Opportunities	Actions
Continued movement toward technology startup incubators and accelerators.	In 2013/2014 BCIC focused on programs that accelerate the commercialization of technology through supporting startups and the development of entrepreneurs. BCIC activities are part of the continued movement toward technology startup incubators and accelerators.
Regions in British Columbia can benefit from expansion of the BC Acceleration Network and Venture Acceleration Program.	Building on the effectiveness of the BC Acceleration Network and Venture Acceleration Program, BCIC engaged two new partners in 2013/2014 to join the Network. These new additions expand the geographic range of the BC Acceleration Network.
Entrepreneurs in British Columbia can benefit from an online option of the BC Venture Acceleration Program.	New Ventures BC, a new partner to the BC Acceleration Network will add a new dimension to the Venture Acceleration Program by offering a virtual online option.
There is a need for British Columbia post-secondary students to develop on-the-job innovator skills training, to carry them seamlessly from graduation to real-world startups and jobs.	BCIC took the opportunity in 2013/2014 to develop the BC Innovator Skills Initiative, which is complementary to the Venture Acceleration Program in that it focuses on skills training for individuals rather than focusing on the innovation or product. The initiative addresses the need to engage technology entrepreneurs in a continuous learning environment that builds on their real-world business skills while also addressing skill gaps they may have. The first pilot program under this umbrella initiative was started in 2014.
Challenges	**Actions**
Technology entrepreneurs, companies of all sizes, community leaders and supporting organizations have the potential to work best when connected by natural clusters as opposed to the isolation of a fragmented environment.	BCIC is committed to the long-term goal of a self-sustaining technology community in British Columbia. BCIC continues to work to strengthen and celebrate the community both within and among regions. In 2013/2014 BCIC built new partnerships and reinforced existing relationships in the community with an eye to this goal.

Risk and Capacity Issues

BCIC had the capacity in 2013/2014 to achieve its goals.

As many BCIC programs are delivered in collaboration with its partners including members of industry, academia and government, changes within any of these entities may impact BCIC's initiatives. To reduce such risks, BCIC continued to follow established rules of conduct when entering into agreements with external organizations in 2013/2014.

BCIC relies on volunteer participation from recognized experts and leaders in their fields. In addition, BCIC leverages funding from other sources to continually increase its impact on the growth of the BC knowledge economy. It is important to recognize that building a knowledge economy is a long-term objective and an opportunity requiring partners at all levels of government, institutions and the private sector to remain committed to its growth. To reduce such risks, BCIC continued in 2013/2014 to develop the partnerships necessary to achieve its mission towards its vision of a strong and rapidly growing knowledge economy, creating rewarding careers for British Columbians in BC.

The top risks identified for BCIC's operations and programs in 2013/2014:

Issues, Risks and Potential Impacts	Mitigating Strategies
The programs that BCIC funds are designed to lower the risk that a new entrepreneurial venture will fail. It is possible that these programs will not actually improve outcomes, despite the quality and care taken in their design and delivery.	BCIC uses course material developed for entrepreneurial education by thought leaders such as Steve Blank and the Massachusetts Institute of Technology (MIT). BCIC programs are customized for the BC context by local organizations like ACETECH, the Association of Technology CEOs. It is also recognized that some ventures will fail, and their founders will be successful with future ventures, drawing on their experience and learning.
BCIC's regional and educational partners are independent not-for-profit organizations governed by their own boards and management teams. Many have revenue streams from sources other than BCIC. It is a significant operational risk that economic forces in their region or strategic changes within their governance structure might cause them to decline to continue delivering BCIC's programs.	The program delivery and support burden is divided among several partners at all times, ensuring that if one partner drops out, others can quickly develop capacity to replace them. BCIC provides funding to organizations based on proposals for programs that meet our mandate. We solicit proposals first from existing funded partners. If they cannot meet our requirements, we may use a competitive Request for Proposal process. BCIC requires BC Acceleration Network partners to develop sustainability plans to address future funding issues, which may include less financial support from BCIC.

Government's Letter of Expectations

The Government's Letter of Expectations (the "Letter") between Government and BCIC is an agreement on the parties' respective accountabilities, roles and responsibilities. The Letter confirms BCIC's mandate and priority actions, articulates the key performance expectations as documented in the Government's Expectations Manual for British Columbia Crown Agencies[1], and forms the basis for the development of BCIC's Service Plan and Annual Service Plan Report. The Letter does not create any legal or binding obligations on the parties and is intended to promote a co-operative working relationship.

For the 2013/14 fiscal year, Government directed BCIC to take the following specific actions:

Government's Letter of Expectations

Government's Letter of Expectations	BCIC Alignment
In keeping with the 2013/14 Letter of Direction to BCIC, continue to work in partnership with Government on the full implementation of the approved recommendations of the British Columbia Innovation Council Mandate Review, including:	BCIC continued to work in partnership with Government on the full implementation of the approved recommendations of the British Columbia Innovation Council Mandate Review, including:
o Continue to strengthen corporate governance and accountability by ensuring consistency with the Board Resourcing and Development Office (BRDO) policies and best practices;	o BCIC continued to ensure consistency with the Board Resourcing and Development Office (BRDO) policies and best practices.
o Develop outcome-based metrics, aligned with the BC Jobs Plan, to assess the effectiveness of BCIC programs and initiatives; and	o BCIC has developed three new outcome-based measures for 2013/14. All four measures used by BCIC for 2013/14 serve to measure aspects of participating companies' ability to progress toward job creation.
o Build partnerships and diversify programming in order to strengthen entrepreneurship development in the priority sectors and support regional expansion as outlined in the BC Jobs Plan.	o BCIC continued to maintain and build relationships with program partners. The BC Acceleration Network is an initiative that supports regional expansion of BCIC-funded activities. In addition, BCIC's cross-sector strategy will enable BCIC to diversify programming into the priority sectors.
Submit annual Carbon Neutral Action Report	BCIC submitted an annual Carbon Neutral Action Report for 2013/2014. In 2013/14 BCIC reduced its GHG emissions by ~60% by upgrading its network infrastructure from 7 physical servers to 3 physical servers. In addition, BCIC invested in new hardware for staff that outperforms the ENERGY STAR Version 5.2 requirements, decreasing power consumption significantly.

Government's Letter of Expectations	BCIC Alignment
Ensure BCIC programs are aligned with the BC Technology Strategy and collaborate with Government to develop and implement initiatives that directly support and accelerate commercialization in British Columbia	BCIC programs are aligned with the actions outlined for BCIC in the BC Technology Strategy. Specifically, BCIC: o Provided commercialization and entrepreneurship support through BCIC's entrepreneurship@ and mentorship programs. BCIC also provided the same support through its venture acceleration programs. o Facilitated the expansion and ongoing development of regional innovation networks. The BC Acceleration Network was the primary initiative driving the expansion 2013/14. o Introduced a British Columbia commercialization voucher program to encourage qualified small and medium-sized enterprises to partner with British Columbia public post-secondary institutions to accelerate commercialization of British Columbia innovations. The pilot of the BCIC-Mitacs Voucher Program was launched in November 2012 and completed in 2013/14. BCIC will continue to collaborate with Government to develop and implement initiatives that directly support and accelerate commercialization in British Columbia.
Meet quarterly with Government to provide progress reports on the actions above and discuss specific goals and performance measures.	BCIC continued to meet quarterly with Government to provide progress reports on the actions above and discuss specific goals and performance measures.

(1) The Province of British Columbia's Crown Agency Accountability System (i) establishes guiding principles for the governance of Crown corporations. The Government's Expectations Manual identifies roles and responsibilities for the Government and Crown corporations, and provides for a Government's Letter of Expectations (Letter) to be developed.

Financial Report

Management Discussion and Analysis

A summary of the BC Innovation Council's financial results is presented below. Chart A details BCIC's current operations, with comparison to budget and the prior year's figures. The chart includes the results of operations for the previous four years as well as forecast figures for the next three years. Forecast figures are consistent with the 2014/15 Service Plan.

BCIC received less annual funding in 2013/2014 compared to the previous fiscal year. BCIC will continue to develop and deliver programs that align with its mandate in collaboration with partners across the province in accordance with funding received.

Chart A

Summary of Financial Results and Budget Projections

(in thousands of dollars)	2009/10	2010/11	2011/12	2012/13	2013/14				2014/15	2015/16	2016/17
	Actual	Actual	Actual	Actual	Actual	Budget	Budget Variance	Year Variance	Forecast	Forecast	Forecast
Revenues											
Province of British Columbia	8,500	8,500	9,650	6,150	6,090	6,090	-	(60)	6,090	6,090	6,090
Internal Program Funding (1)	2,195	29	-	171	2,372	5,500	(3,128)	2,201	-	-	-
NRAS Endowment (2)	2,109	1,919	568	3	10	1,000	(990)	7	1,000	1,000	1,000
Interest and Other	275	329	124	291	154	125	29	(137)	125	125	125
Total Revenues	13,079	10,777	10,342	6,615	8,626	12,715	(4,089)	2,011	7,215	7,215	7,215
Expenses											
Programs and Initiatives	7,943	6,349	7,430	4,956	6,840	9,977	(3,137)	1,884	4,229	4,243	4,243
NRAS Endowment (2)	2,109	1,919	568	3	10	1,000	(990)	7	1,000	1,000	1,000
Salaries and Benefits	1,915	1,590	1,392	1,027	1,125	1,192	(67)	98	1,425	1,384	1,384
Rent	254	274	418	223	229	237	(8)	6	251	297	297
Amortization	74	62	48	41	34	40	(6)	(7)	32	33	33
Other operating costs (3)	784	583	485	364	387	269	118	23	278	258	258
Total Expenses	13,079	10,777	10,341	6,614	8,625	12,715	(4,090)	2,011	7,215	7,215	7,215
Annual Surplus	0	0	1	1	1	0	1	-	0	0	0
Funds Committed to Future Programs (4)	11,513	11,561	11,653	22,180	20,264	16,680	3,584	(1,916)	20,264	20,264	20,264
Capital Expenditures (5)	78	14	13	36	27	50	(23)	(9)	50	50	50
Total Debt	0	0	0	0	0	0	0	0	0	0	0

(1) Internal Program Funding is drawn from unrestricted assets and deferred program revenues. The amount for 2013/2014 is related to the asset gifted with restrictions from the Leading Edge Endowment Fund and the funding received from the Ministry of Jobs, Tourism and Skills Training for developing the Small Business Mentoring Program, branded as Mentorship BC.

(2) NRAS program revenues and expenses are included in the financial chart above.

(3) Other operating costs include legal and contracted services, meeting, travel & networking and office expenses.

(4) The balance of Funds Committed to Future Programs includes unrestricted assets and deferred revenue balances. Year-to-year changes include Annual Surplus (Deficit), changes to tangible capital assets and deferred revenues as detailed in note 4 and note 6 of the audited financial statements.

(5) For 2013/2014, capital expenditures include the costs of new computer equipment.

(6) The above financial information, including forecast information, was prepared based on current Public Sector Accounting Standards.

Chart B

Natural and Applied Sciences Endowment Fund

(in thousands of dollars)	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2013/14 Budget	2013/14 Budget Variance	2013/14 Year Variance	2014/15 Forecast	2015/16 Forecast	2016/17 Forecast
NRAS Endowment Fund	50,000	50,000	50,000	50,000	50,000	50,000	-	-	50,000	50,000	50,000
Interest Accumulated, Begin of the year	3,031	1,209	76	502	1,461	1,461	-	959	2,426	2,426	2,426
Annual investment income	287	786	994	962	975	1,000	(25)	13	1,000	1,000	1,000
Program expenditures	(2,000)	(1,800)	(560)	-	-	(1,000)	1,000	-	(1,000)	(1,000)	(1,000)
Administration and professional fees	(109)	(119)	(8)	(3)	(10)	-	(10)	(7)	-	-	-
Interest Accumulated, End of the year	1,209	76	502	1,461	2,426	1,461	965	965	2,426	2,426	2,426

Natural Resources and Applied Sciences (NRAS) Research Endowment Fund

In the 2005/06 fiscal year, BCIC was charged with stewarding $50 million from the Province of British Columbia for the Natural Resources and Applied Sciences (NRAS) Research Endowment Fund. As an endowment, it is expected that the capital will be preserved and only the interest earnings will be spent on program activities. In 2013/14 $10,456 had been spent on administration and professional services. Once sufficient interest earnings have accumulated, further programs can be delivered

Assessment of Changes in Results and Reasons for Significant Variances and Trends

Provincial funding was reduced by $60,000 from $6.15 million last year to $6.09 million this year, and the future annual provincial funding is forecast to be the same over the next three years.

In April 2013, BCIC entered into a contract with the Ministry of Jobs, Tourism and Skills Training to develop the Small Business Mentoring Program, branded as MentorshipBC, for $300,000, which is held in BCIC's reserve as deferred program revenues. In 2013/2014, $293,460 had been expensed for this program.

In May 2013, BCIC had funded a BC Regional Innovation Chair in the amount of $1,250,000 at Thompson Rivers University.

In 2013/2014, $304,334 had been spent on phase-one of the Commercialization Voucher Program, which was administered and delivered by Mitacs, and it was successfully completed in October 2013. In February 2014, BCIC entered into a contract with Wavefront Wireless Commercialization Centre Society to administer phase-two of the program, which is called the BC Innovator Skills Initiative. Ten BC Acceleration

Network partners across the province will deliver this program, and $524,166 was spent for phase-two during the year.

In 2013/2014, $10,456 had been spent from the NRAS interest earnings on administration and professional services under the direction of the BCFRST Foundation.

Programs and Initiatives expenses increased by 38% compared to last year. For existing programs, BCIC continued to support and expand the BC Acceleration Network to 12 partners, each of which deliver the Venture Acceleration Program across the province. Also, BCIC completed the phase-one of the Commercialization Voucher Program in October 2013 and started the phase-two of the program in March 2014. For new programs, BCIC had funded a BC Regional Innovation Chair at Thompson Rivers University in May 2013 and developed the MentorshipBC program under contract with the Ministry of Jobs, Tourism and Skills Training. BCIC focuses its efforts on developing programs and initiatives that advance commercialization in British Columbia through support to startup companies and facilitation of partnerships between industry and academia.

Operating and administration expenses were slightly higher compared to last year. Salaries and benefits were higher due to the additional cost of a maternity leave replacement and a severance to a terminated employee. Also, additional costs included contracted services for recruitment and marking support.

BCIC's total expenses in 2013/14 were $8,625,130 million with a surplus of $1,341.

BCIC's capital expenditures were for new computer equipment.

Major Risks and Opportunities that Affected Financial Performance

BCIC's operations are primarily funded by annual funding from the Province and any changes to the level of annual provincial funding will have significant impact on BCIC's operations. Strategies to mitigate this risk include ongoing communications with BCIC's existing and potential funding sources, in order to build awareness of the level of support required. In addition, BCIC explores the development and implementation of programs and initiatives that are either self-supporting or leveraged with other revenue generating sources. BCIC has significant reserves and will work closely with the Province on how to utilize these reserves for the development of future programs and initiatives.

Regarding the Natural Resources and Applied Sciences Endowment Fund, interest rate levels are a significant factor in the fund's income; the primary goal of investing the endowment is preservation of the principal. Sufficient interest earnings have to be accumulated before further programs can be delivered.

Future Outlook

BCIC has a valuable leadership role in the province and is confident that support from government and other funding sources will continue at strong levels. BCIC will focus its efforts on designing, developing and implementing its programs and services in collaboration with its delivery partners. BCIC will continue to leverage funds from multiple sources for the purpose of building efficient and valuable programs. BCIC will explore opportunities to develop new programs and expand existing programs in accordance with funding levels.

Innovation is the specific instrument of entrepreneurship. The act that endows resources with a new capacity to create wealth.

Peter Drucker

Statement of Management Responsibility

The financial statements of BCIC are the responsibility of management and have been prepared in accordance with Public Sector Accounting Standards, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available up to May 15, 2014. The financial statements have been reviewed by BCIC's Audit Committee and approved by the Board of Directors.

Management maintains and relies on a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and that reliable and relevant financial information is available on a timely basis.

The financial statements have been examined by independent external auditors. The external auditors' responsibility is to express their opinion on whether the financial statements, in all material respects, fairly present BCIC's financial position, results of operations and cash flows in accordance with Public Sector Accounting Standards. The Auditors' Report, which follows, outlines the scope of their examination and their opinion.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfils its responsibility for financial reporting and internal controls. The Audit Committee, comprised of directors who are not employees, meets regularly with the external auditors and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Directors and appointment of external auditors. The external auditors have full and open access to the Audit Committee, with and without the presence of management.

Supplementary Documents and Statements

The signed Auditors' Report, Audited Financial Statements and accompanying notes to the financial statements follow.

Derek Lew
Chair, BCIC

Financial Statements

Combined Financial Statements of
BRITISH COLUMBIA INNOVATION COUNCIL

Year ended March 31, 2014

KPMG LLP
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Minister of Technology, Innovation and Citizens' Services of British Columbia

We have audited the accompanying financial statements of British Columbia Innovation Council, which comprise the statement of financial position as at March 31, 2014, the statement of operations, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the British Columbia Innovation Council as at March 31, 2014 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants

May 15, 2014

Burnaby, Canada

BRITISH COLUMBIA INNOVATION COUNCIL

Statement of Financial Position

March 31, 2014, with comparative information for 2013

	2014	2013
Financial Assets		
Cash and cash equivalents:		
Unrestricted	$ 169,253	$ 307,738
Restricted – deferred programs (note 6)	258,484	45,143
Restricted – NRAS endowment (note 7)	1,821	1,460,667
Investments:		
Unrestricted (note 3)	6,405,737	6,334,221
Restricted – deferred programs (notes 3 and 6)	13,663,059	15,804,577
Restricted – NRAS endowment (notes 3 and 7)	2,424,305	-
Accounts receivable	15,792	48,485
	22,938,451	24,000,831
Liabilities		
Accounts payable and accrued liabilities	280,137	398,541
Deferred program revenues (note 6)	13,921,543	15,849,720
Deferred revenue from NRAS endowment (note 7)	2,426,126	1,460,667
	16,627,806	17,708,928
Net Financial Assets	6,310,645	6,291,903
Non-Financial Assets		
Restricted – NRAS endowment:		
Cash and cash equivalents (note 7)	-	24,992,501
Investments (notes 3 and 7)	50,000,000	25,007,499
	50,000,000	50,000,000
Tangible capital assets (note 4)	108,712	119,724
Prepaid expenses	32,200	38,589
	50,140,912	50,158,313
Accumulated surplus (note 5)	$ 56,451,557	$ 56,450,216

Commitments and contingencies (note 8)
Contractual obligations (note 9)
Employee future benefits (note 10)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

BRITISH COLUMBIA INNOVATION COUNCIL

Statement of Operations

Year ended March 31, 2014, with comparative information for 2013

	Budget 2014	2014	2013
Revenue:			
Grants from the Province of British Columbia	$ 6,090,000	$ 6,090,000	$ 6,150,000
Program revenue (note 6)	5,500,000	2,371,960	171,000
Other	-	-	163,327
Interest	125,000	154,055	127,444
NRAS endowment (note 7)	1,000,000	10,456	3,139
	12,715,000	8,626,471	6,614,910
Expenses (note 13):			
Program expenses and disbursements:			
Academic	5,500,000	2,379,334	1,308,608
Commercialization	4,177,000	4,248,248	3,461,580
NRAS endowment (note 7)	1,000,000	10,456	3,139
Premier's Technology Council	425,000	291,637	352,386
Technology Awareness	200,000	322,367	171,467
General administration (note 12)	1,413,000	1,373,088	1,316,155
	12,715,000	8,625,130	6,613,335
Annual surplus	-	1,341	1,575
Accumulated surplus, beginning of year	56,450,216	56,450,216	56,448,641
Accumulated surplus, end of year	$ 56,450,216	$ 56,451,557	$ 56,450,216

See accompanying notes to financial statements.

BRITISH COLUMBIA INNOVATION COUNCIL

Statement of Changes in Net Financial Assets

Year ended March 31, 2014, with comparative information for 2013

	Budget 2014	2014	2013
Annual surplus	$ -	$ 1,341	$ 1,575
Acquisition of tangible capital assets	(50,000)	(27,377)	(35,496)
Amortization of tangible capital assets	40,000	33,628	40,987
Disposition of tangible capital assets	-	5,713	4,519
Accumulated amortization of disposition	-	(952)	(3,041)
	(10,000)	12,353	8,544
Acquisition of prepaid expenses	-	(72,955)	(65,849)
Use of prepaid expenses	-	79,344	93,540
	-	6,389	27,691
Change in net financial assets	(10,000)	18,742	36,235
Net financial assets, beginning of year	6,291,903	6,291,903	6,255,668
Net financial assets, end of year	$ 6,281,903	$ 6,310,645	$ 6,291,903

See accompanying notes to financial statements.

BRITISH COLUMBIA INNOVATION COUNCIL

Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating:		
Annual surplus	$ 1,341	$ 1,575
Items not involving cash:		
Amortization of tangible capital assets	33,628	40,987
Loss on disposition of tangible capital assets	3,734	-
Changes in non-cash operating working capital:		
Accounts receivable	32,693	197,336
Prepaid expenses	6,389	27,691
Accounts payable and accrued liabilities	(118,404)	119,238
Deferred program revenues	(1,928,177)	10,518,746
	(1,968,796)	10,905,573
Capital:		
Purchase of tangible capital assets	(27,377)	(35,496)
Disposition of tangible capital assets	1,027	1,478
	(26,350)	(34,018)
Investments:		
Purchase of investments	(89,781,107)	(144,838,625)
Proceeds on maturity of investments	64,434,303	158,710,616
Increase in deferred revenue from NRAS endowment	965,459	958,991
	(24,381,345)	14,830,982
Increase (decrease) in cash & cash equivalents	(26,376,491)	25,702,537
Cash & cash equivalents, beginning of year	26,806,049	1,103,512
Cash & cash equivalents, end of year	$ 429,558	$ 26,806,049
Cash & cash equivalents are comprised of:		
Financial assets:		
Unrestricted	$ 169,253	$ 307,738
Restricted – deferred programs	258,484	45,143
Restricted – NRAS endowment	1,821	1,460,667
Non-financial assets:		
Restricted – NRAS endowment	-	24,992,501
Cash & cash equivalents, end of year	$ 429,558	$ 26,806,049

See accompanying notes to financial statements.

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements

Year ended March 31, 2014, with comparative information for 2013

1. Authority and purpose:

British Columbia Innovation Council (the "Council"), was established in 2006 by an amendment of the Innovation and Science Council Act to the British Columbia Innovation Council Act (the "Act").

The Council is governed by a Board of Directors, appointed by the provincial government of British Columbia (the "Province"). The Council is exempt from the payment of income taxes under section 149 of the Income Tax Act.

Under Section 13 of the Act, the directors, officers, and employees of the Council have certain immunities in the exercise of their duties carried out in their connection with the Council.

The Council's mandate is to advance commercialization in British Columbia through focused support to startup companies and facilitation of partnerships between industry and academia.

2. Significant accounting policies:

(a) Basis of accounting and presentation:

These financial statements are prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(b) Cash and cash equivalents:

Cash and cash equivalents include investments with a term to maturity of 90 days or less at the date of acquisition.

(c) Investments:

Investments, which include investments with original terms to maturity of greater than 90 days, are recorded at amortized cost plus accrued interest, which approximates market value. Interest income is recognized in the period earned.

(d) Revenue recognition:

The Council follows the accrual method of accounting for contributions. Unrestricted contributions and government grants are recorded as revenue when received or receivable, if the amounts can be estimated and collection is reasonably assured. Other unrestricted revenue, including sales of services and products, are reported as revenue at the time the services are provided or the goods delivered.

Investment income on unrestricted assets is recognized as revenue when it is earned.

Endowment contributions are recognized as revenue when received. Investment income earned from restricted cash and investments related to the endowment funds are deferred and recognized as revenue when they are spent or disbursed in accordance with the restrictions of the endowment.

2. Significant accounting policies (continued):

(d) Revenue recognition (continued):

Contributions externally restricted for non-capital specific purposes are recorded as deferred revenue and recognized as revenue in the year in which the stipulations are met.

Investment income that is subject to external restrictions is deferred and recognized as revenue in the year in which the related expense is incurred.

(e) Budget:

The budget data presented in these financial statements is based on the 2014 operating budget approved by the Board of Directors on January 16, 2013.

(f) Government transfers:

Transfers from governments with restrictions are deferred and recognized as revenue when they are spent in accordance with the stipulations in the related agreements. Transfers from governments without restrictions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

(g) Financial instruments:

Financial instruments are classified into two categories: fair value or amortized cost:

Investments with fixed maturity dates are recorded at amortized costs. Income on these investments is recognized in the Statement of Operations and Accumulated Surplus over the period of time the investments are held. Sales and purchases of investments are recorded on the trade date. Transaction costs related to the acquisition of investments is included in the cost of the related investments. Due to the nature of these investments, the carrying amounts approximate fair value.

The carrying amount of other financial instruments such as cash and cash equivalent, and accounts receivables also approximate their fair value due to their short-term maturities.

The Council does not have any financial instruments required or elected to be subsequently recorded at fair value.

(h) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They may have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2014, with comparative information for 2013

2. Significant accounting policies (continued):

(i) Tangible capital assets:

Tangible capital assets are initially recorded at cost which includes amounts that are directly attributed to acquisition, construction, development or betterment of the asset. The historical cost, less residual value, of the tangible capital assets is amortized commencing at the time the asset is available for use based on the methods and rates as shown in the schedule below:

Asset	Amortization
Furniture, fixtures and equipment	20% declining balance
Computer hardware and software	33% declining balance
Leasehold improvements	Straight line over the lesser of the term of the lease and the useful life of the asset

(j) Employee future benefits:

The Council accrues employee vacation entitlements. These accruals are included in accounts payable and accrued liabilities. The Council is a member of the Public Service multi-employer pension plan (note 10). Defined contribution plan accounting is applied to the multi-employer defined benefit plan and, accordingly, contributions are expensed when paid or payable.

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The significant areas requiring the use of management estimates include the determination of useful lives of tangible capital assets for amortization and accrual of liabilities. Actual results may differ from these estimates.

3. Investments:

Restricted and unrestricted investments consist of term deposits and guaranteed investment certificates with maturity dates ranging from April of 2014 to May of 2016, bearing interest at rates ranging from 1.40% to 2.40%.

Included in unrestricted investments are shares of previous British Columbia Advanced Systems Foundation program participant private corporations received in exchange for all or a portion of loan or royalty interests. As at March 31, 2014, the Council has assessed these shares of privately-held corporations to have nominal market value. As such, these investments are recorded at a nominal value of $1 each for each company shareholding. The estimated market value of the long-term investments as at March 31, 2014 is $20 (2013 - $20).

4. Tangible capital assets:

Cost	Balance at March 31, 2013	Additions	Disposal	Balance at March 31, 2014
Furniture, fixtures and equipment	$ 155,567	$ -	$ -	$ 155,567
Computer hardware and software	417,709	27,377	(5,713)	439,373
Leasehold improvements	27,770	-	-	27,770
	$ 601,046	$ 27,377	$ (5,713)	$ 622,710

Accumulated Amortization	Balance at March 31, 2013	Amortization	Accumulated amortization of disposals	Balance at March 31, 2014
Furniture, fixtures and equipment	$ 115,564	$ 8,000	$ -	$ 123,564
Computer hardware and software	337,988	25,628	(952)	362,664
Leasehold improvements	27,770	-	-	27,770
	$ 481,322	$ 33,628	$ (952)	$ 513,998

	Net book value March 31, 2013	Net book value March 31, 2014
Furniture, fixtures and equipment	$ 40,003	$ 32,003
Computer hardware and software	79,721	76,709
Leasehold improvements	-	-
	$ 119,724	$ 108,712

There were no writedowns or reversals of writedowns previously recorded on any tangible capital assets.

5. Accumulated surplus:

Accumulated surplus is comprised of the following:

	2014	2013
Invested in tangible capital assets	$ 108,712	$ 119,724
NRAS Endowment	50,000,000	50,000,000
Unrestricted	6,342,845	6,330,492
	$ 56,451,557	$ 56,450,216

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2014, with comparative information for 2013

6. Deferred program revenues:

	2014	2013
Balance, beginning of year	$ 15,849,720	$ 5,330,974
Government contributions	300,000	-
LEEF contributions	-	10,607,332
Other contributions	-	1,518
Investment income (net of fees)	143,783	80,896
Amounts recognized to program revenues	(2,371,960)	(171,000)
Balance, end of year	$ 13,921,543	$ 15,849,720

During the year, the Council received $300,000 from the Ministry of Jobs, Tourism and Skills Training, a related entity (note 11), to develop the Small Business Mentoring Program, branded as Mentorship BC, of which $293,460 was recognized to program revenues during the current year.

During the year, the Council recognized program revenue of $1,250,000 to fund a commitment by Leading Edge Endowment Fund (LEEF) to establish a BC Regional Research Chair at Thompson Rivers University. The Council also recognized program revenue of $828,500, of which $304,334 was used to fund the BCIC-Mitacs Commercialization Voucher program and $524,166 was used to fund the BC Innovator Skills Initiative.

Funds restricted for future program expenditures have been separated and classified as restricted cash & cash equivalents – deferred programs and restricted investments – deferred programs.

7. Natural Resources and Applied Science Research Endowment (NRAS):

In fiscal year 2005/2006, the Council was charged with stewarding an endowment contribution of $50,000,000 from the Ministry of Economic Development. Investment earnings are restricted for the support of training, research and development in natural resources and applied sciences. Restricted cash and investments of $52,426,126 are comprised of the permanently restricted endowment balance of $50,000,000 and unspent interest earnings of $2,426,126.

Deferred revenue from the NRAS endowment balance comprises of the following:

	2014	2013
Accumulated interest, beginning of year	$ 1,460,667	$ 501,676
Interest earned	975,915	962,130
Administration and professional fees	(10,456)	(3,139)
Accumulated interest, end of year	$ 2,426,126	$ 1,460,667

No expenditures were made during the current year (2013 - nil).

8. Commitments and contingencies:

(a) The Council occupies offices under a long-term lease with varying terms to November 29, 2014. Minimum annual payments include the Council's estimated share of utilities and other costs of occupancy.

(b) The Council is committed to lease a photocopier until June 2017 at a quarterly rental of $1,746.

Total estimated lease payments up to the end of the lease terms are as follows:

2015	$ 171,781
2016	6,985
2017	6,985
2018	1,746

9. Contractual obligations:

The Council has entered into a number of project grant contracts as at March 31, 2014 to provide future funding of research projects to be completed subsequent to the year end.

These contractual obligations are funded in installments and payments are due based on conditions included in the contract being satisfied. As such, no liability has been accrued in the financial statements as the Council is not liable for payments until these conditions have been met.

The contractual obligations of the Council as at March 31, 2014 are $1,865,000 (2013 - $3,973,500).

10. Employee future benefits:

The Council and its employees contribute to the Public Service Pension Plan (the "Plan") in accordance with the *Public Sector Pension Plans Act* (the "Act"). The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the Act applies. As the Plan is a multi-employer, defined benefit plan, the Council accounts for its payments on the basis of a defined contribution plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the Plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2011) indicated an unfunded liability of $275 million. The plan covers approximately 53,500 active employees. The next required valuation will be as of March 31, 2014 with results available in 2015.

During the year, the Council paid and expensed $83,558 (2013 - $84,059) for contributions to the Plan.

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to Financial Statements (continued)

Year ended March 31, 2014, with comparative information for 2013

11. Related parties:

The Council is related through common ownership to all Province of British Columbia ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Council received $6,090,000 annual provincial funding from the Ministry of Technology, Innovation and Citizens' Services and received $300,000 from the Ministry of Jobs, Tourism and Skills Training for the Small Business Mentoring Program (note 6).

12. General administration:

General administration expenses of $435,902 were associated with the delivery of programs during the current year (2013 - $424,030).

13. Expenses by object:

The following is a summary of expenses by object:

	2014	2013
Expenses:		
Program expenses and disbursements	$ 6,849,998	$ 4,958,450
Salaries and benefits	1,124,525	1,026,900
Rent	228,742	222,677
Contracted services	178,951	141,816
Office expenses	83,814	65,099
Other costs	125,472	157,406
	8,591,502	6,572,348
Amortization	33,628	40,987
Total expense	$ 8,625,130	$ 6,613,335

14. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted for the current year.

Appendix A: Health Score

Calculation of the BCIC Startup Health Score

Background

BCIC's activities support the Province's goal to create jobs in British Columbia. BCIC funds programs and services targeted to technology startups, providing them with the tools to become job-creating small and medium sized enterprises ("SMEs") and large anchor companies.

In order for startups to become SMEs and large anchor companies, they must be able to progress from a company with an idea to a company with a growing customer base. A particularly challenging hurdle for many is to achieve the transition from serving a small group of early technology adopters to being widely adopted by mainstream customers. This difficult transition is often referred to as the "Chasm", after the popularity of Geoffrey A. Moore's 1991 book, Crossing the Chasm, and it requires that ventures be adequately prepared.

BCIC supports programs and services that provide startups with the tools (training, knowledge, services, infrastructure) to cross the chasm. In the long-term, BCIC's activities contribute to job creation in BC.

Health Score

How does BCIC know if its programs and services are attaining the goal of helping startups advance? The Startup Health Score is a useful method.

Description

The Startup Health Score takes into account a number of factors that are important or vital to the progress of an early stage company. While there are many elements to consider when evaluating the strength of a startup, BCIC has selected a subset and assigned weighting based on observed correlation of these particular factors with company viability. If a startup is weak in one of the selected vital areas, its score will be low. If a startup is strong on all points, its score will be high.

The strength of each venture's score can be determined by the scale in Figure 1. A strong score that indicates a venture is on track to progress is classified as green. A lower score that indicates a venture is having difficulty but is expected to get back on track to progress is classified as yellow. A low score alerts that a company is off track is classified as red.

The BCIC Startup Health Score is derived from the average score of all ventures in BCIC accelerator programs.

Company Stage and Weighting

Early stage companies can be categorized as falling into five different stages of progress as listed in Table 1. Factors considered in a startup's health score are different for each stage. Similarly, the importance of a factor in the success of a company may be greater or less depending on the stage of the company. The importance of a factor is indicated in Table 1 by the weight given to that factor in the calculation of the score.

Indicators

Factors taken into account are listed in Table 1. Following is an explanation for each indicator and its corresponding weight:

Customer-validated product-market fit: Testing ideas by speaking to potential customers is important for early-stage ventures. Doing so will determine whether there is a market for their product. It is a key objective of the Product Validation stage and so is assigned a significant weight. For ventures in the Market Validation stage, it is assigned a lighter

weight. Ventures in the subsequent stages are not scored on this indicator, as it is assumed in the other metrics, such as profitability and an increase in paying customers.

Customer-validated business model: Establishing a business model that has been validated by speaking to customers is an important milestone, indicating that the venture has validated its sales process and other assumptions built into its business model. This is a key objective of ventures at the Market Validation stage and is an important goal for ventures in the Product Validation and Market Penetration stages. The final proof of a customer-validated business model is increasing revenue from customers, thus this measure is not explicitly rated at the Market Expansion stage.

Meeting agreed-upon critical milestones: A critical indicator for venture success, particularly for startups in the Idea and Product Validation stages. Ventures that have not achieved important milestones are likely experiencing serious challenges and are less likely to progress to maturity. As well, skipping an essential milestone could have fatal results for the venture. For example, a startup in the Idea stage that is on track to progress, will achieve milestones such as identifying real problems or needs that customers want to solve, determining the key features that customers value, identifying early adopter customers willing to test their product offering. A startup that has not completed such steps is likely to have difficulty becoming a commercial success. The indicator is reported to BCIC by mentors and Executives-in-Residence who work closely with the startup and are in a position to assess whether critical milestones have been achieved. This indicator has a considerable weight for ventures in the Idea stage and a medium weight for ventures in the subsequent stages.

Has enough cash to meet growth objectives: Having sufficient funding is critical for ventures to realize their goals. Startups are scored on whether they have the necessary funding in place to continue operations. Funding typically comes from operations (often from pre-existing business) or from investors. While not a determining factor for success, the ability to raise money from investors is often a good indication that the venture is able to articulate its value proposition and business model and generally correlates with an increased likelihood of success. While this indicator does not differentiate between the sources of funding, a high score at later stages often indicates that the venture has raised capital from investors. This indicator carries considerable weight for startups in the Idea and Product Validation stages and a lighter or medium weighting is assigned for the others.

Repeat entrepreneur: Repeat entrepreneurs have the benefit of experience, informing their decisions and increasing their ability to drive their venture forward. Experience is a contributing factor to the likelihood of whether a startup will move forward and is assigned a medium weight for Idea and Product Validation stage ventures; however, it is not a determining factor, and is weighted lightly for startups that have passed those stages.

Venture's IP is protected (normally by patents): A secured patent demonstrates the innovative nature of a startup's technology. Early stage companies that offer a product based on a novel technology tend to have a stronger chance of competing against established competitors because they can offer differentiated value to their customers.

Differentiation is necessary as it enables startups to offer something new to the market, thus standing out from established competitors. Secondly, if the differentiator is difficult to replicate, it will be difficult for competitors to quickly offer an equivalent offering, thus giving the startup an opportunity to capture market share. Companies with patented intellectual property are better able to defend their innovation when they become successful in the market. Because differentiation is most important as a venture is entering the market, this indicator is considered for startups in the Idea, Product Validation and Market Validation stages.

Increase in new customers: A significant indicator of venture progress. Startups that have reached the Market Validation stage and beyond, have determined that there is a market for their product or service and are serving paying customers. An increase in revenue indicates that the venture is on track to grow. In order to receive a score on this indicator, a venture must have increase in new customers of at least 25% year-over-year. This indicator becomes more important at later stages, so it is assigned a higher weight for companies in the Market Expansion stage.

Increase in revenue: A significant indicator of venture progress. Startups that have reached the Market Validation stage and beyond, have determined that there is a market for their product or service and are serving customers. An increase in revenue indicates that the venture is on track to grow. In order to receive a score on this indicator, a venture must have increase in revenue of at least 25% year-over-year. This indicator becomes more important at later stages, so it is assigned a higher weight for companies in the Market Expansion stage.

Mix and number of employees: A factor in the success of startups that have reached the Market Validation stage and beyond is whether they have the necessary team in place. Ventures in the Market Validation stage are graded on whether or not they have any employees. Those who have reached the Market Penetration stage are graded on whether they have full-time employees for sales & marketing, research & development, and management & administration. Those who have reached the Market Expansion stage are also graded on whether they have human resources staff in place. This indicator carries a light weight in the early stages, but it becomes increasingly important at later stages.

Positive cash flow status per transaction: One of the key elements of a successful business is the ability to generate profit on every transaction. Doing so demonstrates that a viable business model exists and that with sufficient scale, the venture can become profitable. This indicator is assigned a light weight for ventures in the Market Validation and Market Penetration stages. The indicator is not used for ventures at the Market Expansion stage, because it is considered to be reflected in the profitability score of a company at that stage.

Profitability status of company: Startups that have reached the Market Penetration and Market Expansion stages and without seeing profit may be facing obstacles in their ability to progress. Ventures with good profitability at these stages are usually on track to advance. Using profitability as an indicator is useful; however, it is not a determining factor for startups in the Market Penetration stage and so it is weighted lightly for ventures in that stage.

Appendix A: Health Score

TABLE 1

HEALTH INDICATOR	COMPANY STAGE				
	ID	PV	MV	MP	ME
	Idea	Product Validation	Market Validation	Market Penetration	Market Expansion
	weight	weight	weight	weight	weight
Customer-validated product-market fit	-	25	10	-	-
Customer-validated business model	-	10	15	10	-
Meeting agreed-upon critical milestones	40	20	15	15	15
Has enough cash to meet growth objectives	25	20	10	10	15
Repeat entrepreneur	20	15	5	5	-
Venture's IP is protected (normally by patents)	15	10	5	-	-
Increase in new customers (>25% y/y)	-	-	20	25	25
Increase in revenue (>25% y/y)	-	-	10	15	25
Mix and number of employees	-	-	5	5	10
Positive cash flow status per transaction	-	-	5	10	-
Profitability Status of Company	-	-	-	5	10
Total	100	100	100	100	100
# of Indicators	4	6	10	9	6

Figure 1

Level	Health Score
Off Track (Red)	0 – 59%
Delayed - expected to be On Track (Yellow)	60 - 74%
On Track (Green)	75 - 100%

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